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**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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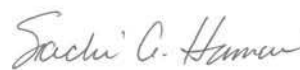
ADOPTED

Community Development Commission

December 17, 2013

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The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012


SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**ALLOCATION OF HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS FOR THE
ACQUISITION AND REHABILITATION OF TWENTY-ONE UNITS OF AFFORDABLE HOUSING
FOR FAMILIES IN UNINCORPORATED EAST LOS ANGELES
(DISTRICT 1) (3 VOTE)**

SUBJECT

This letter recommends the allocation of HOME Investment Partnership Program (HOME) funds for Villa Nueva, an affordable multifamily housing development located at 658-676 South Ferris Avenue in unincorporated East Los Angeles.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve a loan to Santa Monica-Villa Nueva LP (Developer) using up to \$2,500,000 in HOME funds for the acquisition and rehabilitation of Villa Nueva, a 21-unit multifamily housing development located at 658-676 South Ferris Avenue in unincorporated East Los Angeles (Project).
2. Authorize the Executive Director, or his designee, to use up to an additional \$250,000 in HOME funds, as needed, for unforeseen Project costs.
3. Authorize the Executive Director, or his designee, to incorporate up to \$2,750,000 in HOME funds into the Commission's approved Fiscal Year 2013-14 budget as needed, for the purposes described above.
4. Authorize the Executive Director, or his designee, to negotiate, execute and if required, terminate a Loan Agreement with the Developer, and to execute all related documents, including but not limited to documents to subordinate the loan to permit construction and permanent financing, and

any intergovernmental, interagency, or inter-creditor agreements necessary for the implementation of the Project, following approval as to form by County Counsel.

5. Authorize the Executive Director, or his designee, to execute amendments to the Loan Agreement and any related documents, as may be necessary for the implementation and administration of the Project, following approval as to form by County Counsel.

6. Find that approval of the allocation of HOME funds for acquisition and rehabilitation of the Villa Nueva affordable multifamily housing development is exempt from the provisions of the California Environmental Quality Act (CEQA) for the reasons stated in this letter and the record of the Project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to approve the allocation of HOME funds for the Project, which will provide for the rehabilitation and preservation of 21 units of affordable housing in unincorporated East Los Angeles.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund.

The total project costs are approximately \$2,310,000 for acquisition and \$3,356,947 for rehabilitation, to be funded with HOME funds, Low Income Housing Tax Credits, and private financing. The recommended action provides a loan of up to \$2,500,000 in HOME funds to offset both acquisition and rehabilitation costs. A 10% contingency, in the amount of \$250,000, is also being set aside for unforeseen site condition costs and construction overruns. HOME funds will be incorporated into the Commission's approved Fiscal Year 2013-14 budget as needed.

The final loan amount will be determined following completion of negotiations with the Developer and arrangements with other involved lenders. The loan will be evidenced by a promissory note and secured by a deed of trust, with the term of affordability enforced by a recorded Covenants, Conditions and Restrictions document.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

HOME funds received from the U.S. Department of Housing and Urban Development (HUD) are administered by the Commission on behalf of the County of Los Angeles and are used for affordable housing located in the unincorporated areas and 49 participating cities.

Villa Nueva was originally developed using the State of California's Housing and Community Development Department (HCD) Rental Housing Construction Program (RHCP). The RHCP was structured to provide housing for tenants with very low incomes with HCD providing annual operating and capital subsidies. However, for the past few years HCD has been unable to fund the subsidies at levels required to sustain the property, jeopardizing the viability of the property.

In August 2012, HCD sent the Housing Authority a letter stating that the State's annuity fund, which was used to provide the RHCP operating and capital subsidies, will not be available after January 1, 2016. Furthermore, HCD also asked the Housing Authority to consider options to financially restructure the property and preserve affordability.

On April 30, 2013 your Board authorized the Housing Authority to sell the subject property to the Santa Monica-Villa Nueva LP. On July 9, 2013, your Board authorized the issuance of multifamily housing mortgage revenue bonds to finance rehabilitation costs and authorized an application to the California Debt Limit Allocation Committee for a bond allocation not to exceed \$4 million.

The property has substantial deferred maintenance which requires immediate attention. The rehabilitation will include remediation of grading and drainage issues, landscaping, installation of perimeter fencing, access intercom systems, installation of security cameras, addressing code violations, installation of energy efficient water heaters, window replacement, exterior painting, bathroom remodeling and replacement of major appliances. Total rehabilitation costs are estimated at \$3,356,947.

The proposed funding recommendation will provide HOME funds to the Developer through a Loan Agreement with the Commission, to be executed following completion of negotiations and approvals as to form by County Counsel. The Loan Agreement will incorporate affordability restrictions and provisions requiring the Developer to comply with all applicable federal, state, and local laws. HOME funds will be disbursed after all financing is secured and the Project is ready to move forward.

The Project consists of 21 two-bedroom units, of which nine units will be reserved for households with incomes that do not exceed 50% of the Area Median Income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by HUD. Eleven of the units will be reserved for households with incomes that do not exceed 60% AMI. Affordability requirements will remain in effect for 55 years except for the manager's unit, which has no affordability requirements.

ENVIRONMENTAL DOCUMENTATION

Pursuant to 24 Code of Federal Regulation, Part 58, Section 58.35 (a) (3)(ii), the Project is excluded from the National Environmental Policy Act because it involves activities that will not alter existing environmental conditions. It is categorically exempt from the provisions of CEQA. The Project is within a class of projects that have been determined not to have a significant effect on the environment; it meets the criteria set forth in Section 15301 of the CEQA Guidelines and Class 1 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. In addition, the Project is not in a sensitive environment, and there are no cumulative impacts, unusual circumstances, or other limiting factors that would make the exemption inapplicable based on the Project records.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The requested actions will preserve much needed affordable housing for low-income families in the County.

The Honorable Board of Supervisors
12/17/2013
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN
Executive Director

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